

GAO

Report to the Chairman, Subcommittee
on Transportation and Related Agencies,
Committee on Appropriations, House of
Representatives

March 2000

COAST GUARD WORKFORCE MIX

Phased-In Conversion of Some Support Officer Positions Would Produce Savings



G A O

Accountability * Integrity * Reliability

Contents

| | | |
|-------------------|--------------------------------------------------------------------------------------------------------|----|
| Letter | | 3 |
| Appendixes | Appendix I: Objectives, Scope, and Methodology | 28 |
| | Appendix II: Comments From the Department of Transportation | 34 |
| | Appendix III: Major Contributors to This Report | 46 |
| Tables | Table 1: Comparison of the Coast Guard's Workforce to the Other Military Services' Workforce | 4 |
| | Table 2: Comparison of the Coast Guard's Workforce to the Other Military Services' Workforces | 9 |
| | Table 3: Changes in the Coast Guard's Authorized Full-Time Workforce, Fiscal Years 1991-99 | 10 |
| | Table 4: Commissioned Officer Positions in Support Units That Could Be Converted to Civilian Positions | 12 |
| | Table 5: Military Ranks of Officer Positions That Could Be Converted | 13 |
| | Table 6: Potential Accrued Cost Savings per Position for Military-to-Civilian Conversions | 15 |
| | Table 7: Total Potential Accrued Cost Savings for Military-to-Civilian Conversions | 16 |
| Figures | Figure 1: The Coast Guard's Full-Time Workforce | 7 |

Abbreviations

| | |
|-----|------------------------------|
| DOD | Department of Defense |
| DOT | Department of Transportation |
| GAO | General Accounting Office |



United States General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-282798

March 1, 2000

The Honorable Frank R. Wolf
Chairman
Subcommittee on Transportation
and Related Agencies
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

For a number of years, your Subcommittee has expressed concern about the ratio of the Coast Guard's military-to-civilian staff. Over the years, the Coast Guard has employed more military personnel, relative to its full-time workforce, than other military services. For fiscal year 1999, active and retired military pay and allowances accounted for almost half of the Coast Guard's \$4.6 billion annual budget. Because of your concerns and the potential cost savings associated with converting military positions to civilian positions, you asked us to review the Coast Guard's staffing to determine the extent to which military positions could be filled by civilians. Specifically, we evaluated (1) how the Coast Guard's current workforce mix compares with the workforce mix of other military services and how the workforce mix has changed since 1991, (2) how many military commissioned officer positions in administrative and support functions offer opportunities for conversion to civilian positions, and (3) what the advantages and disadvantages are of converting those military positions to civilian positions.

To compare the Coast Guard's workforce with that of the other military services, we reviewed historical data on the military and civilian components of its workforce. To identify potential opportunities for conversion, we evaluated the need for military staffing in 980 commissioned officer support positions in the Coast Guard's nonoperational units. To determine the advantages and disadvantages of converting officer positions to civilian positions, we compared military and civilian personnel costs and obtained the views of Coast Guard officials on the impact of such a conversion. (For more details, see app. I.)

Results in Brief

The Coast Guard employs proportionately more military personnel in its full-time workforce than the military services in the Department of Defense. This mix of civilian and military personnel has remained essentially unchanged since fiscal year 1991. (See table 1.)

Table 1: Comparison of the Coast Guard's Workforce to the Other Military Services' Workforce

| | Army | Air Force | Navy | Marine Corps | Coast Guard |
|---------------------------------------------------------------|------|-----------|-----------------|-----------------|-------------|
| Military positions as a percentage of the full-time workforce | 68 | 69 | 72 ^a | 72 ^a | 85 |
| Ratio of commissioned officers to enlisted personnel | 1:6 | 1:4 | 1:6 | 1:10 | 1:5 |

^aThe Department of Defense combines data on the number of civilians for the Navy and Marine Corps. The figure "72" is an aggregate number that combines data for both services.

About 800 of 980 commissioned officer positions in the Coast Guard units we selected for review offer opportunities for conversion to civilian positions because they do not meet the Coast Guard's criteria for military staffing as defined in its 1989 staffing standards manual. Such positions include those in personnel; public affairs; civil rights; data processing; research and development; information resources management; contracting; financial management; and civil, naval, and electronic engineering. Coast Guard managers in the support units housing these positions generally said that these functions did not require the skills and abilities that could be obtained only through military training or operational experience and, thus, could be performed by civilian personnel.

There are advantages and disadvantages to filling military positions with civilians. Filling the positions that we reviewed with commissioned officers costs the government, on average, 21 percent more than filling the same positions with comparable civilian employees because of differences in the average pay and retirement benefits, as well as the nontaxability of military allowances. As a result, long-term potential annual cost savings of about

\$15 million to the government for converting about 800 commissioned officer positions is one significant advantage. While Coast Guard officials noted that initial costs—such as early retirement bonuses for military staff or hiring bonuses for civilian personnel—could reduce costs savings when conversions are made, the Coast Guard has recognized that civilians provide qualitative benefits such as greater continuity of service (long-term service) and, in some cases, greater technical expertise. Coast Guard officials also identified a number of disadvantages to converting these military positions to civilian positions. For example, they believe that military officers have experience with and knowledge of the Coast Guard's operations, which enhances the officers' efficiency and effectiveness. They also cited concerns about the loss of flexibility—such as uncompensated overtime worked by commissioned officers—that would result from the increased use of civilian personnel, the inability to hire and retain civilians in certain technical positions, and the impact that proposed conversions would have on promotion and retention within the Coast Guard's commissioned officer workforce. In addition, the Coast Guard cited other more intangible, systemic implications of converting the positions we identified—such as the impact of conversions on the Coast Guard's organizational culture—of converting the positions we identified. These concerns certainly need to be considered in addressing what we believe to be a current imbalance between the Coast Guard's civilian and military workforce. In our view, the commissioned officer positions we identified do not meet the Coast Guard's criteria for military staffing, and conversions could be phased in over time without substantially affecting the Coast Guard's operations. However, a change of this magnitude needs to be carefully implemented to avoid any unintended consequences. This report makes recommendations for reducing the number of commissioned officers in support positions that do not require military staffing.

Background

As an agency of the Department of Transportation (DOT), the Coast Guard provides a variety of maritime services and enforces related laws and regulations. Its staff and equipment are involved in four main missions: (1) maritime law enforcement, (2) marine environmental protection, (3) national security, and (4) maritime safety. Most of the Coast Guard's operations are conducted from a number of small boat stations, air stations, marine safety offices, and other facilities, ships, and aircraft located in coastal areas, at sea, and near certain other waterways like the Great Lakes. Supporting these operational units is a wide variety of logistics, technical, and administrative organizations, as well as units that combine both operational command and support functions.

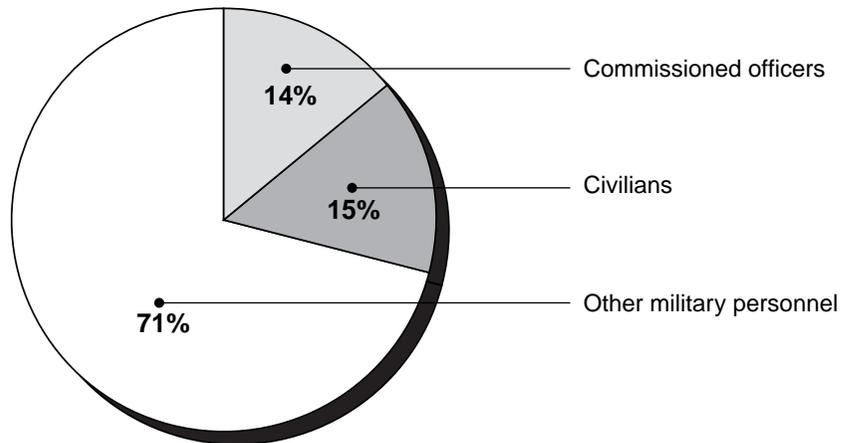
The Coast Guard's staffing policy explicitly calls for civilians in all positions except where military personnel are required and is intended to maximize the respective advantages offered by civilian and military employees. The Coast Guard's 1989 staffing standards manual establishes criteria for determining whether positions should be filled by military or civilian personnel, and most of these criteria focus on the operational needs of the agency.¹ For example, because broad-based military experience is required for operational command and control, most senior leadership positions are considered "military essential." Examples of other positions that clearly require military staffing include those in operational units such as boats, ships, aircraft, port security units, and strike teams that can be deployed during time of war.² Conversely, a number of staff and support positions—such as personnel; public affairs; civil rights; data processing; research and development; information resources management; contracting; financial management; and civil, naval, and electronic engineering—require specific technical skills, extensive specialty training, and long-term, or continuity of, service. According to the Coast Guard, these are all qualifications more advantageously provided by civilian employees. While the staffing standards manual notes several examples of circumstances—such as changing missions or new technology—that may prompt a reevaluation of a unit's staffing, it does not require regular reviews of military or civilian staffing determinations. Additional details regarding the Coast Guard's policy for determining whether positions should be filled by military or civilian personnel are provided in appendix I.

As of September 30, 1999, the Coast Guard had 42,012 total full-time positions—35,865 military (about 85 percent) and 6,147 civilians (about 15 percent). The Coast Guard's military workforce consisted of 27,899 enlisted positions, 5,760 commissioned officer positions, 1,403 chief warrant officer positions, and 803 cadet or officer candidate positions. Commissioned officer positions accounted for about 16 percent of all military positions, or about 14 percent of the total authorized workforce, as shown in figure 1.

¹See *Staffing Standards Manual*, Commandant Instruction M5312.11A (Sept. 26, 1989).

²The Coast Guard is a military service that was officially established in 1915 (P.L. 239; 38 stat. 800-802) as part of the Treasury Department. In 1967, the Coast Guard was transferred from the Treasury Department to the newly created Department of Transportation (P.L. 89-670; 80 stat. 931) because its primary civil functions relate to transportation and marine safety. Upon declaration of war or when directed to do so by the President, the Coast Guard operates as a service of the Navy.

Figure 1: The Coast Guard's Full-Time Workforce



Source: Compiled by GAO from the Coast Guard's data.

Slightly more than half of the Coast Guard's commissioned officer positions are located in "front-line" operational units and training commands, and almost 40 percent of the commissioned officer positions are located in administrative, technical, and logistical units that support these operations, as well as units that combine support and command functions. The remaining commissioned officer positions—about 9 percent—are assigned to temporary training and support duty (e.g., recruit training, the Coast Guard Academy, the officer candidate school, flight training, and long-term hospitalization) instead of Coast Guard units. Within the commissioned officer corps, at any point, the actual number of commissioned officer personnel may fall below or exceed the number of positions authorized by the Coast Guard. For example, as of September 30, 1999, the agency had 5,673 commissioned officers—87 less than the 5,760 authorized positions.

As we reported in May 1997, the Coast Guard carried out a series of actions to streamline its operations and achieve significant savings during a 4-year period beginning in fiscal year 1994.³ As a result of reducing staff at its headquarters, area offices, and district offices, closing its operations at Governor's Island in upper New York Bay, and other cost savings efforts, the Coast Guard cut its costs by \$343 million and reduced its workforce by

³See *Coast Guard: Challenges for Addressing Budget Constraints* (GAO/RCED-97-110, May 14, 1997).

over 3,500 personnel. Because the enlisted workforce is the largest segment of the Coast Guard's workforce, the majority of the reduction took place in the Coast Guard's enlisted ranks. As a percentage reduction, the Coast Guard reduced enlisted, commissioned officer, and civilian positions by about 5, 7, and 9 percent, respectively, from fiscal year 1994 through fiscal 1997. Notwithstanding these actions by the Coast Guard, we also identified other areas for potential efficiency improvements and cost savings in our 1997 report. For example, we noted that the Coast Guard could consider lengthening personnel rotations, consolidating search and rescue stations and training centers, and using civilian personnel rather than military staff in support positions.

At the request of the Chairman, Subcommittee on Transportation, House Committee on Appropriations, the Coast Guard analyzed its personnel management structure to determine whether greater use of civilians would be of overall benefit to the agency and assessed the need for military personnel in support positions.⁴ The Coast Guard's June 1997 report discussed recent initiatives to downsize the workforce and increase the use of civilians, the nature of the Coast Guard's organization, and relevant personnel costs to the government.⁵ The report concluded that, although military positions cost more than civilian positions, the increased cost was justified by the need to maintain Coast Guard units' operational readiness. In its conclusions, the report referred to an internal Coast Guard position-by-position review and stated that positions that did not meet the Coast Guard's criteria for military staffing would be converted to civilian positions. At the conclusion of this internal review in August 1997, the Coast Guard identified 187 commissioned officer positions—in such areas as contracting, civil engineering, naval engineering, research and development, information resources management, financial management, legal hearing support, and planning—that did not require military staffing. As of November 18, 1999, the Coast Guard had converted 12 of the 187 commissioned officer positions identified.⁶ Coast Guard officials said that they had not converted the other positions because they believed that the

⁴Department of Transportation Appropriations Act, 1994, House Report 103-190 (July 27, 1993).

⁵See *Report to Congress on Civilians in Personnel Management Structure*, Department of Transportation, U.S. Coast Guard (Washington, D.C., June 26, 1997).

⁶Coast Guard officials noted that they converted 30 other commissioned officer positions from the end of fiscal year 1997 through November 18, 1999.

conversions were not cost-effective and would reduce their staffing flexibility.

The Coast Guard's Workforce Mix Reflects a Preference for Military Personnel and Commissioned Officers

Comparing the Coast Guard's workforce with that of the other military services within the Department of Defense (DOD) shows the Coast Guard's relative preference for military personnel and commissioned officers. For example, the Coast Guard employs a greater percentage of military positions, as a portion of its total workforce, than any of the other military services, and the ratio of commissioned officers to enlisted personnel is greater than that of the other services except the Air Force, as shown in table 2, below.

Table 2: Comparison of the Coast Guard's Workforce to the Other Military Services' Workforces

| | Army | Air Force | Navy | Marine Corps | Coast Guard |
|-------------------------------------------------------------------|------|-----------|-----------------|-----------------|-------------|
| Military positions as a percentage of the full-time workforce | 68 | 69 | 72 ^a | 72 ^a | 85 |
| Ratio of commissioned officers to enlisted personnel ^b | 1:6 | 1:4 | 1:6 | 1:10 | 1:5 |

^aThe Marine Corps is under the Department of the Navy. DOD combines data on the number of civilians for the Navy and Marine Corps. The figure "72" is an aggregate number that combines data for both services. For comparison purposes, this makes sense because the Marine Corps is required by law (10 U.S.C. sec. 5014 (c)(1)) to rely on the Navy for a number of functions typically staffed by civilians such as acquisition, auditing, financial management, information management, research and development, and legislative and public affairs.

^bThese percentages reflect data on personnel rather than positions.

Source: Compiled by GAO from the Coast Guard's and Department of Defense's data.

The Coast Guard's military workforce decreased by about 8 percent from fiscal year 1991 through fiscal 1999. This reflects a decrease of more than 2,900 military positions. Over the same period, however, the number of commissioned officer positions decreased by only 78 positions (about 1 percent) and the number of civilian positions, as a percentage of the total Coast Guard workforce increased by less than 1 percent. Staffing levels

from fiscal year 1991 through fiscal 1999 for the different elements of the Coast Guard's workforce are shown in table 3.

Table 3: Changes in the Coast Guard's Authorized Full-Time Workforce, Fiscal Years 1991-99

| Year | Commissioned officer positions | Enlisted positions | Other military positions ^a | Total military positions | Civilian positions | Total Coast Guard positions |
|------|--------------------------------|--------------------|---------------------------------------|--------------------------|--------------------|-----------------------------|
| 1991 | 5,838 | 30,556 | 2,392 | 38,786 | 6,182 | 44,968 |
| 1992 | 6,003 | 30,149 | 2,459 | 38,611 | 6,376 | 44,987 |
| 1993 | 6,147 | 29,502 | 2,480 | 38,129 | 6,415 | 44,544 |
| 1994 | 6,104 | 29,004 | 2,425 | 37,533 | 6,260 | 43,793 |
| 1995 | 5,967 | 28,618 | 2,393 | 36,978 | 6,145 | 43,123 |
| 1996 | 5,713 | 27,739 | 2,305 | 35,757 | 5,808 | 41,565 |
| 1997 | 5,701 | 27,947 | 2,233 | 35,881 | 5,863 | 41,744 |
| 1998 | 5,762 | 28,069 | 2,243 | 36,074 | 6,062 | 42,136 |
| 1999 | 5,760 | 27,899 | 2,206 | 35,865 | 6,147 | 42,012 |

^aIncludes warrant officer, officer candidate, and cadet positions.

Source: Compiled by GAO from the Coast Guard's data.

As shown in table 3, the reductions in the military workforce reflect the Coast Guard's preference for commissioned officers. Specifically, the reduction in the number of enlisted positions was much greater from fiscal year 1991 through fiscal 1999—about 9 percent—than the 1-percent reduction in commissioned officer positions. The Coast Guard said that the limited reduction in the number of commissioned officer positions was due to a number of budgetary initiatives during the 1990s that called for additional commissioned officer positions, particularly positions in marine safety and drug law enforcement. Our review of changes within commissioned officer specialties from fiscal year 1991 through fiscal 1999 did not support this assertion. For example, the Coast Guard cited requirements in the Oil Pollution Act of 1990 that resulted in the addition of about 230 commissioned officer positions from fiscal year 1991 through fiscal 1995 and 54 commissioned officers that were added for drug law enforcement from fiscal 1997 through fiscal 1999. However, in reviewing the net impact of these and all other changes to the Coast Guard's commissioned officer workforce from fiscal year 1991 through fiscal 1999, we found only a modest increase in the number of positions in marine safety (nine positions) and law enforcement (five positions). Over the same period, the Coast Guard shifted some other operational positions to

support functions. Specifically, the number of commissioned officer positions in two functions related directly to the performance of the Coast Guard's primary missions—operations and aviation—decreased by 62 and 65 positions, respectively, from fiscal year 1991 through fiscal 1999. Meanwhile, the number of commissioned officer positions in personnel and management support functions increased by 71 and 51 positions, respectively.

Some Commissioned Officer Positions Do Not Meet the Coast Guard's Criteria for Military Staffing

Of the 980 commissioned officer positions in the nonoperational units that we reviewed, we identified 804 that did not meet the Coast Guard's criteria for military staffing and, therefore, in our view, could be converted to civilian positions.⁷ The Coast Guard's staffing policy explicitly calls for civilians in all positions except those determined to be "military essential," and it establishes criteria for making this determination. We selected 75 Coast Guard units with 2,292 commissioned officer positions for our review because these units were most likely to include the types of positions that are suited for civilians. For example, positions in financial management; information technology; and civil, naval, and electronic engineering are likely to require specific technical skills and specialty training—the types of qualifications that the Coast Guard believes are best provided by civilians. We found that 1,312 of the 2,292 positions required military personnel because they met the Coast Guard's criteria for operational and statutory requirements. According to Coast Guard officials, another criterion for workforce structure is not applicable to specific positions. Therefore, we evaluated the other 980 positions against the remaining criterion—the need for military skills—by reviewing the functions of the positions and discussing the need for military skills to perform these functions.

⁷The 980 positions that we reviewed represent about 17 percent of the Coast Guard's commissioned officer workforce.

As a result of our review, we concluded that 804 positions in administrative, technical, and logistical support functions—personnel; public affairs; civil rights; data processing; research and development; information resources management; contracting; financial management; and civil, naval, and electronic engineering—did not require military skills and, therefore, could be converted to civilian positions.⁸ Coast Guard managers in support units generally agreed that these functions could be performed by civilians. The convertible commissioned officer positions are summarized by unit type in table 4, and by rank and support function in table 5.

Table 4: Commissioned Officer Positions in Support Units That Could Be Converted to Civilian Positions

| Unit type | Total commissioned officer staffing ^a | Commissioned officer positions reviewed | Positions that could be converted |
|----------------------------------------|--------------------------------------------------|-----------------------------------------|-----------------------------------|
| Administrative/technical support units | 206 | 143 | 80 |
| Logistics support units | 726 | 520 | 478 |
| Combined command/support units | 1,360 | 317 | 246 |
| Total commissioned officers | 2,292 | 980 | 804 |

^aStaffing totals received from the Coast Guard from August through September 1999.

⁸Examples of the positions we reviewed but did not consider to be convertible included limited-term positions that were not permanent, positions in the Personnel Command responsible for military duty assignments, and positions at the Aircraft Repair and Maintenance Service Center whose collateral duties included test flights for Coast Guard aircraft.

Table 5: Military Ranks of Officer Positions That Could Be Converted

| Grade/Function | General administration ^a | Personnel | Management ^b | Comptrollership ^c | Engineering ^d | Other ^e | Total |
|--------------------------------------------|-------------------------------------|-----------|-------------------------|------------------------------|--------------------------|--------------------|------------|
| O-6, captain | 2 | 5 | 11 | 5 | 11 | 2 | 36 |
| O-5, commander | 13 | 13 | 45 | 13 | 51 | 18 | 153 |
| O-4, lieutenant commander | 20 | 18 | 52 | 35 | 82 | 23 | 230 |
| O-3, lieutenant | 13 | 20 | 67 | 31 | 149 | 32 | 312 |
| O-2, lieutenant, junior grade ^f | 3 | 7 | 11 | 1 | 46 | 5 | 73 |
| Total | 51 | 63 | 186 | 85 | 339 | 80 | 804 |

^aIncludes civil rights, public affairs, and legal staff.

^bIncludes data processing, research and development, and information resources management staff.

^cIncludes financial management and contracting staff.

^dIncludes civil, naval, and electronic engineering.

^eIncludes support positions with communications and marine safety occupational position codes.

^fEnsigns (O-1) were not included because they were not assigned to the units we reviewed.

Substantial Long-Term Cost Savings Outweigh Disadvantages of Converting Commissioned Officer Positions

The primary advantage of filling military positions with civilians is that an active duty commissioned officer in the positions we reviewed costs the government, on average, 21 percent more than filling the same position with a comparable civilian employee. As a result, the federal government could ultimately save about \$15 million annually by converting the 804 commissioned officer positions in support functions that, in our view, do not require military staffing. In addition to the significant savings, Coast Guard officials cited a number of other benefits provided by civilian personnel. Nonetheless, Coast Guard officials emphasized several disadvantages to filling commissioned officer positions with civilians, including the loss of the experience and flexibility provided by military personnel, the inability to fill certain positions with civilian personnel, and the impact that the conversions would have on promotions and retention in the Coast Guard's commissioned officer workforce, as well as other more intangible, systemic implications of converting the positions we identified. Although these concerns need to be addressed, they do not, in our opinion, outweigh the potential savings to the government.

Converting Coast Guard Officers Would Save Millions

In comparing all of the relevant costs associated with military and civilian positions, we found that employing an active duty commissioned officer in the positions we reviewed is, on average, 21 percent more expensive than filling the same position with a comparable civilian employee. The cost differential is based on a comparison of average pay, benefits, and expenses associated with the Coast Guard's commissioned officers at different military ranks and federal civilian employees at comparable civilian grades. However, the Coast Guard's estimates of the cost differential between military and civilian personnel are considerably lower—on average, the cost for military officers is about 8 percent more—because its standardized costs do not include two cost elements associated with military staffing that are needed for a complete comparison—tax advantage and retirement costs.

The Coast Guard's standard personnel costs do not account for the federal income tax advantage that its military personnel receive as a result of the nontaxability of their housing and subsistence allowances.⁹ The "cost" to the government arising from this tax advantage comes in the form of a loss to the U.S. Treasury of the federal income taxes that would otherwise have been paid if the allowances were taxable.¹⁰

The other element that the Coast Guard's military standard personnel costs do not include is the cost of retirement for military members. Unlike military services within DOD, the Coast Guard does not budget for future retirement costs for military personnel during their career. Instead, the Coast Guard uses a "pay-as-you-go" retirement system that includes in the budget only the costs of current retired members. As a result, military retirement costs are funded by an annual permanent appropriation separate from the Coast Guard's discretionary budget.¹¹ The Coast Guard noted that potential savings to its retirement appropriation on a cash basis, from military-to-civilian conversions, would not be realized until "well into

⁹A cash allowance for housing and food when they are not provided directly to military members.

¹⁰As actually calculated by DOD, the tax advantage is the amount of additional income that military personnel would need to retain their take-home pay if their allowances were taxable.

¹¹In order to estimate average annual retirement costs for active duty military personnel in its 1997 report to the Congress, the Coast Guard used the Navy's annual retirement accrual amounts. The Coast Guard believed that this approximated the retirement liability. We also used these costs to estimate the retirement savings that would accrue to the government.

the future.” However, on an accrual basis, which is a better measure of the economic effect, retirement savings will begin accruing as positions are converted. It is important to note that because the Coast Guard uses a “pay-as-you-go” retirement system, accrued retirement savings cannot be considered as direct annual cash savings to the Coast Guard’s retirement appropriation. Table 6 shows the potential net accrued savings to the government from converting positions at ranks from lieutenant junior grade to captain.

Table 6: Potential Accrued Cost Savings per Position for Military-to-Civilian Conversions

| Military rank | Civilian grade equivalent | Annual savings (cost) to the Coast Guard’s discretionary budget ^a | Tax advantage savings ^b | Accrued savings to the Coast Guard’s military retirement | Net accrued savings to the government |
|-------------------------------|---------------------------|------------------------------------------------------------------------------|------------------------------------|----------------------------------------------------------|---------------------------------------|
| O-6, captain | GS 15 | \$1,680 | \$6,608 | \$22,948 | \$31,236 |
| O-5, commander | GS 14 | (1,352) | 5,573 | 18,248 | 22,469 |
| O-4, lieutenant commander | GS 13 | 1,018 | 3,961 | 14,804 | 19,783 |
| O-3, lieutenant | GS 12 | 1,392 | 2,828 | 12,336 | 16,556 |
| O-2, lieutenant, junior grade | GS 11 | (3,732) | 2,534 | 10,076 | 8,878 |

^aThe savings (cost) to the discretionary budget is the difference between the Coast Guard’s military and civilian standard personnel costs for fiscal year 1999. Military standard personnel costs include all pay and allowances, permanent change-of-station costs, training costs, and active duty medical costs associated with each pay grade. Civilian standard personnel costs include basic, locality, overtime, and special pays, as well as the costs associated with permanent change of station, training, health insurance, life insurance, and the accrued cost of civilian retirement.

^bFigures are based on DOD’s Directorate of Compensation’s fiscal year 1999 estimates of the tax advantage for each military rank.

Source: Compiled by GAO from the Coast Guard’s and DOD’s data.

As table 6 illustrates, conversions at the O-2 (lieutenant junior grade) and O-5 (commander) ranks could result in costs to the Coast Guard’s discretionary budget. However, at all ranks, there are immediate tax advantage savings and accrued savings related to retirement that would result in net accrued savings to the federal government. By converting 804 commissioned officer positions that do not require military staffing, savings would accrue to the Coast Guard’s discretionary budget, as well as to the federal government. As shown in table 7, while savings to the Coast Guard’s discretionary budget would be limited, the potential savings to the

federal government would be significant—totaling about \$15 million annually.

Table 7: Total Potential Accrued Cost Savings for Military-to-Civilian Conversions

Numbers in dollars

| Military rank | Number of positions converted | Annual savings (cost) to the Coast Guard's discretionary budget ^a | Tax advantage savings ^b | Accrued savings to the Coast Guard's military retirement | Net annual accrued savings to the government |
|-------------------------------|-------------------------------|------------------------------------------------------------------------------|------------------------------------|----------------------------------------------------------|----------------------------------------------|
| O-6, captain | 36 | \$60,480 | \$237,888 | \$826,128 | \$1,124,496 |
| O-5, commander | 153 | (206,856) | 852,669 | 2,791,944 | 3,437,757 |
| O-4, lieutenant commander | 230 | 234,140 | 911,030 | 3,404,920 | 4,550,090 |
| O-3, lieutenant | 312 | 434,304 | 882,336 | 3,848,832 | 5,165,472 |
| O-2, lieutenant, junior grade | 73 | (272,436) | 184,982 | 735,548 | 648,094 |
| Total | 804 | \$249,632 | \$3,068,905 | \$11,607,372 | \$14,925,909 |

^aThe savings (cost) to the discretionary budget is the difference between the Coast Guard's military and civilian standard personnel costs for fiscal year 1999. Military standard personnel costs include all pay and allowances, permanent change-of-station costs, training costs, and active duty medical costs associated with each pay grade. Civilian standard personnel costs include basic, locality, overtime, and special pays, as well as the costs associated with permanent change of station, training, health insurance, life insurance, and the accrued cost of civilian retirement.

^bFigures are based on DOD's Directorate of Compensation's fiscal year 1999 estimates of the tax advantage for each military rank.

Source: Compiled by GAO from the Coast Guard's and DOD's data.

In addition to the significant cost savings, civilians provide a number of qualitative benefits. For example, in its report to the Congress in 1997, the Coast Guard noted that civilian employees are better qualified to fill support positions that require specific technical skills, extensive specialty training, and continuity of service. Similarly, Coast Guard policy describes the benefits of civilians, noting that civilians provide the continuity and corporate memory for an office amidst the continual turnover of military personnel, who seldom stay more than 2 to 4 years.¹²

¹²See *Coast Guard Manpower Mobilization and Support Plan*, COMDTINST M3061.1 (June 7, 1996).

Disadvantages to Converting Commissioned Officer Positions Identified by the Coast Guard

Although Coast Guard managers in support units generally said that civilians could perform support functions, they identified a number of disadvantages to converting commissioned officer positions. These disadvantages included (1) the loss of certain qualitative benefits of having commissioned officers perform the functions, (2) the loss of flexibility provided by commissioned officers, (3) the potential difficulties and additional costs associated with filling the positions with civilians, (4) the potential impact the proposed conversions would have on the commissioned officer workforce, and (5) the systemic impact on the Coast Guard's workforce as a whole.

First, Coast Guard officials generally believe that commissioned officers provided qualitative benefits, related to their experience and knowledge of the Coast Guard's operations, that enhance their effectiveness and efficiency in fulfilling their job responsibilities. Coast Guard managers from one unit noted the leadership qualities of commissioned officers, to wit: "They look beyond the execution of fixed-scope projects and apply their leadership skills to ensuring effective and efficient capital asset management." Other comments reflected a belief that commissioned officers have strong personal qualities; for example, "They represent the 'Best and Brightest' with unparalleled work ethics and academic credentials ... are high-energy, high-output, mission-centered, customer-focused individuals." Another response was that knowledge of the Coast Guard's operations, standards, customs, regulations, and practices must be developed and nurtured within the service. One Coast Guard manager noted that "A vast majority of military members possess significantly diverse experience and an understanding of CG [Coast Guard] missions and needs of the operational customer." While we agree that Coast Guard officers may have certain experiences not available to their civilian counterparts, we believe that such knowledge can be developed within the civilian workforce over time and that, particularly in accounting, information management, and other similar support functions, not only can civilians effectively perform, but they also can enhance efficiency through increased continuity and corporate memory.

Second, according to Coast Guard officials at many of the units we visited, military personnel offer flexibility not provided by civilians. For example, commissioned officers may work uncompensated overtime hours. Thus, employing civilians in some support positions could result in overtime costs. Coast Guard officials also noted that commissioned officers can be summoned to duty anytime during day or night, can be sent to temporary duty locations on short notice, and are also often assigned collateral duties

not related to their primary job functions. While the use of commissioned officers to fill support positions does provide increased flexibility, we did not consider the potential loss of some flexibility to be an insurmountable obstacle to implementing the conversions we identified. Furthermore, we were not persuaded by the Coast Guard's arguments regarding overtime, temporary duty, and collateral duties for the following reasons:

- The Coast Guard's staffing standards establish standard workweeks for military personnel ashore, and workweeks of more than 40 hours per week are required only for operational units.¹³ However, Coast Guard officials said that Coast Guard officers do, in fact, work overtime but that they do not track it. Civilian personnel can also work overtime, and our analysis of the potential cost savings for conversions included an estimate of the overtime costs associated with the Coast Guard's civilian personnel.
- Regarding the ability to send military members to temporary duty locations on short notice and the potential that these temporary duty locations could involve operational situations, we note that civilians may also be sent to temporary duty locations on short notice and Coast Guard policy notes that short-term requirements for increased staffing (referred to as "surge" requirements) may include the detail of civilian personnel or use of temporary civilian hires.¹⁴ In addition, many other civilian federal employees are also subject to emergency call-up. For example, agencies such as the Environmental Protection Agency, the National Transportation Safety Board, and the Federal Emergency Management Agency use civilian employees to respond quickly to disasters and other emergency situations that sometimes require them to work under arduous conditions at remote locations. In some cases where the temporary duty would involve operational situations, other military personnel might have to be employed.
- In reviewing the collateral duties performed by the commissioned officers, we found that some duties could be incorporated into civilian position descriptions. For example, we noted that commissioned officers had been assigned nonmilitary collateral duties such as Red Cross Blood Drive Coordinator, Classified Material Control Officer, and Indebtedness Counselor—collateral duties that could be performed by

¹³See *Staffing Standards Manual*, Commandant Instruction M5312.11A (Sept. 26, 1989).

¹⁴See *Obtaining Personnel Resources to Meet Surge Requirements*, Commandant Instruction 5400.1 (May 26, 1997).

civilians. Collateral military duties could be allocated across the remaining military members in the unit.

Third, the managers in some Coast Guard units expressed concern over the extent to which positions in certain technical specialties could be filled at the civilian grade equivalents for the military ranks identified in table 6. They believe that the civilian equivalents could be at higher grades for certain positions, and they noted that they had difficulty in hiring and retaining civilian employees in technical specialties because of the grades at which positions were advertised, as well as limited promotional opportunities. Coast Guard officials also noted that programs to recruit civilian employees, such as hiring bonuses, could increase the cost of employing civilians. We agree that there will be implementation costs associated with converting commissioned officer positions to civilian positions. But we were unable to include such costs in our comparison of military and civilian personnel because it is not possible to know the extent to which hiring bonuses and other recruitment programs would be necessary to fill the positions that we identify in this report. Furthermore, the military rank-to-civilian grade equivalencies that we used are based on previous Coast Guard conversions, Office of Personnel Management classifications generated for proposed Coast Guard conversions, and other equivalency schedules used by DOD, as well as the conversion equivalencies proposed by the Coast Guard in its 1997 report to the Congress. While it is possible that some positions would require higher civilian grades, we believe it is equally possible that other positions would require lower civilian grades on the basis of the Coast Guard's previous conversions. Implementing the conversions we identified would provide additional promotion opportunities and career paths for civilians that are not currently available within the Coast Guard's workforce, which should improve the Coast Guard's ability to retain civilians. Even if the Coast Guard's efforts to hire and retain civilians in certain technical specialties result in higher pay grades, we believe the potential savings still outweigh the potential additional costs. For example, even if 100 of the positions we identified required civilian staffing at one grade higher, the overall annual savings to the federal government would still exceed \$13 million.¹⁵

¹⁵This estimate assumes that the conversions would take place at the lieutenant commander and lieutenant ranks because most information resources management positions staffed by military members are filled at those ranks.

Fourth, Coast Guard officials expressed concern about the impact that the conversions would have on promotions and retention and said that they could not implement a large number of conversions in 1 year without disrupting the workforce structure for commissioned officers. While Coast Guard officials agreed that the criterion for workforce structure did not affect any of the individual positions we reviewed, they believe that structural requirements limit the total number of commissioned officer positions that can be removed from the military workforce over time. The structure is based on certain numbers of military positions at various ranks that are needed to maintain officer structural “pyramids”—where the number of personnel gradually increase as the ranks decrease. For example, the Coast Guard’s 13th district office in Seattle, Washington, is led by an admiral supported by 5 captains, who, in turn, are supported by 7 commanders, 9 lieutenant commanders, and 17 lieutenants. The Coast Guard’s workforce planners said that large numbers of conversions could slow officer promotions, result in significant severance costs, and negatively affect workforce morale. Coast Guard officials cited a number of impacts of the workforce reductions that occurred during streamlining efforts from 1993 to 1997. For example, they noted that attrition increased from an average of between 6 and 7 percent prior to streamlining to greater than 8 percent after streamlining and that the average time for promotions to captain increased by about 17 months. Nonetheless, the historical record indicates that adjustments to the commissioned officer corps can be managed. For example, from fiscal year 1991 through fiscal 1993, the Coast Guard increased the number of commissioned officer positions by about 150 per year. More recently, the Coast Guard reduced the number of commissioned officer positions by 134 from fiscal year 1995 to fiscal 1996 and 145 from fiscal 1996 to fiscal 1997. Consequently, we believe that the Coast Guard can mitigate the negative impacts on the military workforce by converting the 804 commissioned officer positions over time using workforce management strategies employed in previous reductions of the officer corps. As an example, at a rate of about 135 positions per year—about the same rate as the reductions made from fiscal year 1995 to fiscal 1997—the conversions we proposed would take about 6 years. The Coast Guard noted that, to achieve this level of reduction over 6 years, the Coast Guard would have to reduce accessions and upward mobility and increase attrition through early retirement and separation bonuses. However, at the annual attrition rate of about 8 percent anticipated for 2000 and beyond in the Coast Guard’s manpower-planning documents, more than 460 commissioned officers will leave the Coast Guard each year—more than 3 times the 135 annual conversions needed for a 6-year conversion schedule.

Fifth, Coast Guard officials said that our review of commissioned officer positions did not consider the systemic implications of converting the positions we identified. They believe that our application of the criteria in the Coast Guard's staffing standards manual to determine the need for staffing the Coast Guard's commissioned officer workforce did not consider the influences of intangible, systemic factors such as the need for intellectual capital, organizational culture, and diversity. For example, they noted that implementing the conversions we identified would create shortfalls in specialty positions such as engineering, communications, and financial management and that these shortfalls would impair the Coast Guard's ability to fill more senior operational positions or provide for an adequate amount of shore duty as a respite to sea duty. We agree that the Coast Guard's staffing standards are based only on the work requirements of individual positions and note that the Coast Guard used the same criteria in its own internal review of the need for military staffing of support positions. However, the qualitative nature of the intangible factors cited by the Coast Guard, without consideration of the criteria in the staffing standards manual, makes an objective, quantitative review of the need for commissioned military officers impossible. While implementing the conversions we identified would reduce the number of commissioned officer positions in civil, naval, and electronic engineering, as well as financial management, among other specialties, it would make more military personnel available for staffing operational positions. Furthermore, the Coast Guard's promotion selection boards base their decisions on performance without regard to occupational specialty. The Officer Career Guidebook notes that the Coast Guard maintains no preferred career route—"ticket punching"—or fast-track assignments that ensure promotion and that the staffing standards manual states that commissioned officers are considered generalists.¹⁶ Finally, Coast Guard officials agreed that there are no established sea-to-shore rotation requirements for commissioned officers. We note that less than 800 commissioned officers are assigned aboard Coast Guard cutters. According to the Coast Guard, although about 40 percent of the commissioned officers are not considered for sea duty, the agency agreed that converting the positions we identified would still allow for an acceptable sea-to-shore rotation.

¹⁶See *The Coast Guard Officer Career Development Guidebook* (Dec. 8, 1998).

Conclusions

Most commissioned officer positions in the support functions that we reviewed do not require military staffing and, therefore, offer opportunities for conversion to civilian positions. After any initial implementation costs to the Coast Guard, converting these positions could potentially save the government \$15 million annually over the long term and have a modest impact on the workforce structure of the Coast Guard. The number of civilians as a part of the Coast Guard's full-time workforce would still be far below that of the other military services. In addition, a larger civilian workforce would bring specialized skills, increased continuity, and institutional knowledge to the Coast Guard's support functions. Although we have previously identified the conversion of military positions in support functions as an area for potential cost savings and the Coast Guard itself has identified positions that could be converted, Coast Guard officials have not taken substantive action to do so.

The commissioned officer positions that we reviewed do not meet the Coast Guard's criteria for military staffing, and the conversion of these positions could be phased in over time without substantially affecting the agency's operations. We believe that the concerns cited by the Coast Guard—the loss of flexibility, the potential difficulty in hiring and retaining civilians for some specialties, and the impact on the commissioned officer corps—certainly need to be considered in addressing what we believe to be a current imbalance between its civilian and military workforce. However, in our view, they should not unduly impede the conversion process. On the other hand, we recognize that a change of the magnitude that our analysis suggests will be a significant one for the Coast Guard and will need to be carefully implemented so as to minimize any unintended consequences. Phasing in the conversions of commissioned officer positions to civilian positions over time will help minimize any implementation costs and disruptions to the workforce. While we have used a 6-year time frame as an example in this report, a reasonable time frame can be developed only after alternative ways of implementing the conversions are evaluated. Finally, while we believe that the 804 positions that we identified do not meet the Coast Guard's criteria for military staffing, we acknowledge that a change of this magnitude can have far-reaching impacts on the organization and must be tempered by management's consideration of those factors. After considering those factors, we would expect that significant progress could be made in improving the Coast Guard's workforce mix.

Recommendations

We recommend that the Secretary of Transportation direct the Commandant of the Coast Guard to do the following:

- Develop a plan with milestones for examining the commissioned officer positions that we identified, and, after considering factors that the Coast Guard believes are important, implement the conversions by using a phased-in approach so as to minimize implementation costs and disruption to the Coast Guard. We would expect that the Coast Guard would identify and convert a significant number of military officer positions and make significant progress in increasing the proportion of civilians in its workforce.
- Provide the appropriate House and Senate committees of jurisdiction with an annual report on the status of the conversions.

Agency Comments and Our Evaluation

We provided DOT with a draft of this report for review and comment. The Department agreed that additional conversions are appropriate. Furthermore, DOT agreed to evaluate the list of conversion candidates that we identified to determine the extent to which conversions can be made. However, the Department disagreed with our recommendation in the draft report specifying that 804 commissioned officer positions be converted to civilian status. DOT believed that the draft did not consider all costs and the impact of the conversions we proposed and thus did not form an unequivocal basis for pursuing what it described as a “drastic action.” Specifically, DOT said that our draft, among other things, (1) did not consider the recruiting costs for civilians or transition costs for military personnel, (2) provided an inaccurate comparison of military and civilian personnel costs and conflicted with our previous estimates of the cost differential, (3) overstated the potential for conversions by using limited criteria, and (4) inappropriately compared the Coast Guard’s workforce with that of the military services in DOD.

Overall, while we agree that there will be implementation costs to the Coast Guard—such as the costs of recruiting for civilians or transitioning military personnel—we believe that the substantial long-term savings to the federal government outweigh these one-time costs to the Coast Guard. We disagree with DOT’s concerns regarding our comparison of military and civilian personnel costs and the use of the Coast Guard’s criteria for identifying potential conversions. We agree with DOT’s concerns about certain comparisons to DOD in the draft report and have deleted those references. Furthermore, we modified language in the report to emphasize

a phased-in approach and the significant potential for converting commissioned officer positions while recognizing the need for some management flexibility in determining the exact number and timing of the conversions. Consequently, we no longer recommend that a specific number of positions be converted. However, we continue to believe that the potential long-term savings of converting significant numbers of commissioned officer positions in support functions that do not require military staffing outweigh the disadvantages.

Regarding DOT's first point, we agree that there will be short-term costs associated with implementing the conversions. However, the transition costs cited by DOT are one-time costs that are outweighed by the substantial long-term savings associated with the conversions we proposed. Implementing the conversions in conjunction with attrition and extending the conversions beyond the 6-year time frame used as an example in our report would further reduce the likelihood that such costs would be incurred. We did not include these costs in our comparison of military and civilian personnel because it is not possible to know the extent to which hiring bonuses and other recruitment programs, for example, would be necessary.

Second, we disagree with DOT's statement that our estimate inaccurately compared military and civilian personnel costs and conflicted with our previous estimates of the cost differential. In comparing the cost of military and civilian personnel, we relied on the Coast Guard's standard personnel costs and noted that the Coast Guard used these standard personnel costs for its own cost comparison in its 1997 report to the Subcommittee on Transportation, House Appropriations. While the cost analysis presented in the report is similar to our previous efforts, it is not identical. For example, both the current and previous GAO reports include estimates of military retirement and tax benefits. However, our previous estimates focused on comparative compensation and did not include costs such as those for training and permanent change of station. These cost elements are part of the Coast Guard's standard personnel costs. We also found that certain costs associated with Coast Guard officers were substantially higher than those for officers in DOD. For example, the average permanent change-of-station costs for Coast Guard officers in the ranks we reviewed were approximately 44 percent higher than the costs for their DOD counterparts. The higher costs of Coast Guard military personnel, combined with the consideration of additional costs, such as those for training and permanent change of station, account for the differences in our previous estimates cited by DOT as inconsistencies.

Third, we disagree that our report overstates the potential number of conversions by using limited criteria. We believe that our use of the Coast Guard's staffing manual as a basis for making decisions to staff positions with military or civilian personnel was correct and appropriate. As we noted in the report, the Coast Guard used these criteria in its own agencywide evaluation of the need for military staffing. More importantly, the Coast Guard explicitly cited these criteria in justifying its military workforce in its report to the Subcommittee on Transportation, House Committee on Appropriations, in June 1997. As we noted in our report, the Coast Guard's staffing standards manual explicitly states that civilians shall staff all positions at shore activities unless they meet the criteria. However, we understand that a change of this magnitude needs to be carefully considered and implemented to minimize any unintended consequences and that the Coast Guard needs some flexibility in this regard. Our analysis shows that the 804 commissioned officer positions that we identified provide a significant opportunity for the Coast Guard to improve its workforce mix. We modified our conclusions and recommendations to emphasize the significant potential for conversion, while recognizing the need for flexibility. Consequently, we removed the specific number of conversions to be implemented from the recommendation.

Fourth, we agree with DOT's concerns regarding our comparison of decreases in military staffing in DOD with the Coast Guard's staffing during the 1990s stemming from the build up of DOD forces prior to the Gulf War. As a result, we removed our comparison of relative decreases in the respective military forces. We also removed a statement in the conclusion of the draft report that implementing the conversions would bring the Coast Guard's ratio of commissioned officers to enlisted personnel more in line with that of DOD. As DOT pointed out, the Coast Guard's ratio lies midway between the Navy's and the Air Force's. The full text of DOT's comments and our responses are presented in appendix II.

Our work was performed from August 1999 through February 2000 in accordance with generally accepted government auditing standards. For a full discussion of our objectives, scope, and methodology, see appendix I.

We are sending copies of this report to the Honorable Rodney E. Slater, Secretary of Transportation; Admiral James M. Loy, Commandant, U.S. Coast Guard; and the Honorable Jacob J. Lew, Director, Office of Management and Budget. If you or your staff have any questions about this

report, please call me at (202) 512-2834. Major contributors to this report are listed in appendix III.

Sincerely yours,

A handwritten signature in black ink that reads "John H. Anderson, Jr." The signature is written in a cursive style with a large initial 'J' and a distinct 'A'.

John H. Anderson, Jr.
Director, Transportation Issues

Objectives, Scope, and Methodology

The Chairman, Subcommittee on Transportation and Related Agencies, House Committee on Appropriations, asked us to study how the Coast Guard's efforts have improved the military-civilian mix of its workforce. Specifically, we addressed three main questions in our review:

- How does the Coast Guard's current workforce mix compare with the workforce mix of other military services, and how has the workforce mix changed since 1991?
- How many military commissioned officer positions in administrative and support functions offer opportunities for conversion to civilian positions?
- What are the advantages and disadvantages of converting those military positions to civilian positions?

To compare the Coast Guard's workforce with the workforce of military services within the Department of Defense (DOD) and to identify how the workforce mix has changed since 1991, we reviewed historical staffing data on civilians, commissioned officers, and enlisted personnel. To obtain information on the number of commissioned officers in support positions, the Coast Guard provided us with a personnel allowance list for the units we reviewed. During our field visits to these units, we verified that the information on the commissioned officer positions was correct. As a result, we assessed that the reliability of the information on commissioned officer positions was sufficient for the purposes of this report. To identify positions with the greatest potential for conversion, we focused our review on administrative, technical, and logistical support units. These facilities include 12 integrated support commands and 25 civil, naval, and electronic engineering support units, as well as a ship yard, a personnel command, finance center, and multiple information and electronic systems commands and other support centers. We also considered units that combined command and support functions. Together, this accounted for 75 units with about 2,300 commissioned Coast Guard officer positions.¹ To determine whether these positions required military personnel, we reviewed the Coast Guard's staffing policy that provides a framework for determining whether positions should be filled by military or civilian personnel.² According to the policy, all positions are assumed to be civilian

¹We did not review the officers of the Public Health Service, who make up a small portion (about 160) of the Coast Guard's commissioned officer workforce.

²See *Staffing Standards Manual*, Commandant Instruction M5312.11A (Sept. 26, 1989).

unless one of the eight criteria described below indicate that military classification is more appropriate.

- *Deployment:* Positions considered rapid-response resources are subject to immediate deployment. Examples include boats and ships, aircraft, port security units, and strike teams.
- *Command and Control:* Positions where a high degree of military presence is essential to maintain order and discipline, positions where the incumbent would be required to exercise direct military authority beyond the normal supervisory authority expected of a civilian, or positions that require military staff for command purposes.
- *Operations:* Positions that are needed to operate the service's boats, cutters, and aircraft are considered operational. The Coast Guard considered these positions to be inherently military positions because they are the foundation of the Coast Guard's ability to meet mission requirements in the event of natural disasters or wartime operations. Generally, operational positions involve arduous duty, including deployment to locations around the world, considerable separation from families, and a higher risk of injury or death.
- *Unusual hours:* Positions in high-readiness units such as cutters, small boat units, air stations, marine safety offices, and geographically isolated units may require erratic work hours or work hours that are excessive, arduous, or not compatible with federal civilian employment standards.
- *Uniform Code of Military Justice:* Positions must be military positions if it is necessary that the incumbent be subject to the Uniform Code of Military Justice.³ Examples include positions in command and control elements, operational units, port security units, staff personnel who would potentially deploy in response to contingencies or hostilities, and training commands.
- *Statutes:* Positions may be specifically required by law to be military positions. For example, title 14 of the U.S.C., section 50 restricts the selection of area commanders to officers on the Coast Guard's active duty promotion list, and, thus, these positions cannot be filled by a civilian.

³See 10 U.S.C. sec. 801-950.

- *Workforce structure:* Positions are required for structural purposes. For example, positions are needed to maintain officer or enlisted structural "pyramids" (a grow-from-within-the-workforce structure where large numbers of junior personnel gradually reduce in number with increasing rank until only a relatively small number of positions remain at senior grades).⁴
- *Military skills:* Positions where the knowledge and skills required to perform the functions are acquired as a result of military experience and require military personnel. Examples include certain positions in program management staffs, cutters, squadron staffs, training commands, and liaison offices. Military skills might include, for example, commanding a cutter or helicopter in operational settings.

To further focus on the positions with the greatest potential for conversion, we eliminated operational positions. As described above, the first five criteria are primarily applicable to operational positions. To address the sixth criterion, we eliminated those positions required by law. This included those needed to perform military justice functions including judge advocates, trial and defense counsel, appellate counsel, and military judges; and we removed those positions from consideration for conversion. We also removed area commanders and most other commanding officers from consideration since they are also required by statute to be commissioned military personnel.⁵ By limiting our review to the 980 positions that remained, we considered only workforce structure constraints and the requirement for military skills.

To determine how workforce structure concerns might affect the convertibility of the support positions we reviewed, we discussed the impact of conversions with Coast Guard headquarters officials and reviewed historical data and workforce planning documents related to previous changes to military personnel levels.

⁴Workforce considerations also dictate that military personnel be assigned to those positions that ensure that enlisted personnel receive shore assignments after the rigors of sea deployments, overseas assignments, and isolated duty.

⁵We considered commanding officer positions at electronic, civil, and naval engineering support units to be convertible because they were generally collocated with integrated support commands. In those situations, the commanding officer of the integrated support command could also serve as the commanding officer of the support units for the purpose of administering military justice. Alternatively, military justice responsibilities could be delegated to the highest-ranking military personnel remaining in the unit.

To determine if the positions required military skills, we talked with military and civilian representatives of selected Coast Guard organizations and asked whether a civilian could perform the functions. If the positions did not require military skills, we considered them to be candidates for conversion. We then provided the Coast Guard with a list of the specific positions that did not meet the criteria for military staffing.

To identify the advantages and disadvantages of converting military positions to civilian status, we talked with the Coast Guard's military and civilian managers in selected units and headquarters workforce planners. To estimate the potential cost savings to be obtained from the conversions, we compared the cost to the government of military and civilian personnel at equivalent pay grades. Military and civilian equivalencies were based on previous Coast Guard conversions, Office of Personnel Management classifications generated for proposed Coast Guard conversions, and other equivalency schedules used by DOD.

To determine the personnel costs to the government at equivalent military and civilian pay grades, we reviewed the Coast Guard's cost information and several studies that compare military and civilian personnel costs. While we did not independently verify the accuracy of the Coast Guard's standard personnel costs, we found that they were generally consistent with other estimates and methodologies.⁶ We used the Coast Guard's standard personnel costs for military and civilian personnel and included estimates of military retirement and the tax advantage resulting from the nontaxability of military housing and subsistence allowances. In order to estimate the average annual retirement costs for active duty military personnel in its 1997 report to the Congress, the Coast Guard used the Navy's annual retirement accrual amounts. The Coast Guard believed that this approximated the retirement liability. We discussed the Coast Guard's use of the Navy's retirement accrual amounts with Coast Guard officials and reviewed the most recent actuarial reports on the Coast Guard's retirement system.⁷ As a result of our review, we concluded that the Navy's

⁶*Comparing the Costs of DOD Military and Civil Service Personnel*, RAND, National Defense Research Institute (Washington, D.C.: 1998), *What Does the Military Pay Gap Mean?*, Congressional Budget Office (Washington, D.C.: June 1999), and *DOD Force Mix Issues: Greater Reliance on Civilians in Support Roles Could Provide Significant Benefits* (GAO/NSIAD-95-5, Oct. 19, 1994).

⁷A contractor conducted an actuarial review of the Coast Guard's military retirement system as of September 30, 1997. The Department of Transportation's Office of Inspector General's contractor subsequently reviewed and validated that report.

retirement accrual amounts for fiscal year 1999 provided a conservative estimate of the accrued average annual retirement cost for the Coast Guard's active duty commissioned officers.

To estimate total cost savings to the government, we multiplied the average savings at each pay grade by the number of positions we believe could be converted. We also assumed that, as positions are converted, the size of the total Coast Guard workforce would remain unchanged. That is, we assumed that, even if the officer occupying a converted position remains in the Coast Guard's workforce, the Coast Guard would be able to manage its workforce—such as by not filling other vacancies—so that the reduction in the number of officers equaled the increase in the number of civilians.

We did not validate the need for any of the positions evaluated. For the purpose of our analysis, we accepted all positions shown on personnel allowance lists provided by the Coast Guard as needed. We also did not attempt to determine whether converted positions should be staffed by contractors rather than federal civilian employees. As required by the Federal Activities Inventory Reform Act, the Coast Guard is required to submit to the Office of Management and Budget a list of activities that are not inherently governmental and are currently being performed by government personnel.

We visited 34 of the 75 Coast Guard organizations, as follows:

- In California, we visited the Pacific Area Command, Maintenance & Logistics Command, Integrated Support Command, 11th District, Naval Engineering Support Unit, Electronic Support Unit (Alameda); the Civil Engineering Unit (Oakland); and the Integrated Support Command (San Pedro).
- In Washington D.C., we visited Coast Guard Headquarters, Personnel Command, Headquarters Support Command, and Marine Safety Center.
- In Florida, we visited the Integrated Support Command, 7th District, Naval Engineering Support Unit, Electronic Support Unit, and the Civil Engineering Unit.
- In Maryland, we visited the Coast Guard Shipyard in Baltimore.
- In North Carolina, we visited the Aircraft Repair and Supply Center in Elizabeth City.
- In Virginia, we visited the National Pollution Funds Center and the National Maritime Center (Arlington); the Telecommunications Information Systems Command (Alexandria); the Atlantic Area Command, Maintenance and Logistics Command, Integrated Support

Command, Naval Engineering Support Unit, Electronic Support Unit, and Command and Control Center (Portsmouth); and the Facilities Design and Construction Center (Norfolk).

- In West Virginia, we visited the Operations Systems Center in Martinsburg.
- In Washington State, we visited the Integrated Support Command, the 13th District, Naval Engineering Support Unit, and the Facilities Design and Construction Center in Seattle.

Our work was performed from August 1999 through February 2000 in accordance with generally accepted government auditing standards.

Comments From the Department of Transportation

Note: GAO's comments supplementing those in the report's text appear at the end of this appendix.



**U.S. Department of
Transportation**

Assistant Secretary
for Administration

400 Seventh St., S.W.
Washington, D.C. 20590

February 23, 2000

Mr. John Anderson
Director, Transportation Issues
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Anderson:

Enclosed are two copies of the Department of Transportation's comments on the GAO draft report, "Coast Guard Workforce Mix: Converting Some Support Officer Positions Would Save Millions," RCED-2000-60.

We appreciate this opportunity to review and comment on the draft report. Please contact Martin Gertel on (202) 366-5145 if there are any questions concerning our comments.

Sincerely,


Melissa J. Allen

**United States Department of Transportation
Comments on General Accounting Office (GAO) Draft Report
"Coast Guard Workforce Mix: Converting Some Support Officer Positions
Would Save Millions"
RCED-2000-60**

OVERVIEW

The Department appreciates the opportunity to comment on GAO's draft report. The United States Coast Guard (USCG) agrees with the concept that additional conversions of military billets to civilian positions are appropriate; however, we do not agree with the draft report's mechanical approach to an issue of fundamental importance to the USCG's organization. The draft report's results are influenced by a number of significant methodological flaws. First, the GAO draft report does not consider the costs associated with making the recommended changes to the military workforce, nor the costs associated with converting positions to civilian status. Factoring these costs into the draft report's projected savings would likely eliminate its projected out-year savings. We conservatively estimate that the cost to implement the draft report's recommendations would be at least \$15 million annually, equal to or exceeding the savings suggested in the GAO draft report. In addition, the draft report's savings calculations are inconsistent with earlier, identical GAO work performed at the Department of Defense (DOD). For example, we note that projected savings at certain grade levels are triple those in the previous GAO reports. The draft report overstates the potential number of conversions because it used limited criteria which do not consider the full range of factors that affect staffing decisions. As a result, the draft report suggests converting positions that, upon more detailed consideration, are most appropriately staffed by military professionals. Finally, the draft report paints an inaccurate and negative picture of the USCG's regard for civilians.

The USCG has and will continue to seek efficiencies that yield cost savings. The GAO draft report recognized that during the USCG's streamlining efforts from 1994 -1997, USCG cut costs by \$343 million by taking a number of actions including reducing its workforce by over 3,500 personnel. The USCG's proven track record of effectiveness and efficiency is based on a foundation of appropriately mixing military and civilian staff. As a result of the USCG continuously reviewing and fine-tuning the staffing mix, over 275 military billets were converted to civilian positions since 1997.

We recognize that there are opportunities for converting additional military billets to civilian positions at the USCG. Nonetheless, GAO's use of a limited set of criteria for identifying candidate positions for conversion, along with the specificity of its results, does not incorporate sufficient consideration of the full range of factors that affect these decisions or allow for necessary management flexibility. We agree that additional conversions can be made as long as any conversion decisions are based on full consideration of costs, benefits, and the overall impact on the USCG. We do not agree that retirement costs and taxation issues relative to USCG's military workforce are a sound basis for restructuring the Service. The USCG agrees to evaluate the list of conversion candidates identified by GAO to determine the extent that these positions are bone fide candidates, which in the overall judgement of the Service, should be converted to civilian.

See comment 1.

CONVERSION COSTS MUST BE CONSIDERED

In order to appropriately determine net savings to the Federal government, it is necessary to identify all potential savings, and then factor in all associated costs. While the GAO draft report enumerated potential savings, it did not quantify all the costs associated with conversions. In order to develop estimates of net savings, the draft report must consider the costs of making the recommended changes to the military personnel in the USCG, converting positions to civilian slots, and staffing them with fully trained individuals.

See comment 2.

Military Staff Reductions Will Be Costly

The costs to reduce the military staff and replace them with civilians can be formidable. For example, the near term costs for officer conversions will be at least \$11 million per year for officer severance pay, military leave sell back costs, separation bonuses, and final permanent change of station costs. These costs are similar to those experienced by the USCG during military workforce reductions implemented in FY 97 that caused retired pay alone to jump by \$19 million in FY 97, and \$14 million in FY 98. These increased retired pay costs were all net after any cost of living adjustment. In the long term, USCG anticipates continued costs resulting from the proposed conversions of nearly \$9 million per year.

See comment 3.

Recruiting New Civilians Will Be Difficult and Costly

Converting former military positions to civilian service and staffing them will not be easy. Filling these positions with full-time civil servants while the country is experiencing record low levels of unemployment will require the USCG to recruit in a highly competitive environment. Since many of the positions are highly skilled technical and professional positions, which are in the greatest demand within the economy, USCG will face fierce competition. For example, based on recent recruiting experience in the Washington D.C. area, it took 413 days to recruit a GS-12 Telecommunications Specialist, 217 days to recruit a GS-11 Computer Specialist, and 217 days to recruit a GS-13 Contract Specialist. In each of these cases, multiple advertisements were required along with Superior Qualifications bonuses to make the hire.

See comment 4.

Hiring new civilians will be costly. Based on recent USCG experience, we estimate that civilian accession costs for new personnel will exceed \$4 million per year to bring on 135 new employees each year, as described in the draft report. This includes the costs of advertising, hiring, recruitment bonuses, and relocation for new employees. Training the new staff will further increase costs. In order to serve as a check on its calculations, the USCG used a cost model developed for the U.S. Army by SRA International. The results of the U.S. Army's Military-Civilian Cost System (AMCOS) shows the USCG accession estimate to be extremely conservative. According to the AMCOS cost model, the civilian accession costs that would result from implementing the GAO recommendation could be in excess of \$12 million per year for the 6-year conversion period proposed in the draft report.

Civilian Conversion Savings May Be Overstated

See comment 5.

It is unclear why the costs savings cited in the GAO draft report are far in excess of those cited in recent similar work performed by GAO at DOD.¹ For example, in the previous GAO report, annual savings from converting an O-6, Captain, to a GS-15 was \$11,044. This draft report shows an annual savings of \$31,236, nearly triple the previous report's savings. Savings at the O-5 level were \$7,405 per year in the previous GAO report, while this draft report shows savings of \$22,469, again more than triple the previous report's savings. These huge increases in projected savings exceed any possible effect from the low levels of inflation over the 3 years since the previous GAO effort was completed.

CONVERSION POTENTIAL IS OVERSTATED

See comment 6.

The potential number of conversions identified in the GAO draft report are overstated because it used limited criteria that does not consider the full range of factors that affect staffing decisions. The staffing manual provides only one set of considerations that must be factored into any analysis of USCG workforce structure. We also note that the primary factor driving the draft report's recommended conversions is estimated potential savings that GAO believes will result from reducing military benefits and retirement costs. No employer, public or private, uses minimizing tax free benefits and reducing retirement cost as the primary drivers of workforce structure. Any analysis of workforce structure must consider a full range of factors including effectiveness, capability, experience, education, and diversity, along with total costs, to name a few. In addition, it is neither appropriate nor beneficial to preclude military staff from gaining experience in the varied facets of administration, personnel management, financial management, contracting, and engineering. Skills acquired by military personnel in each of these areas are directly transferable for effectively managing the USCG, as recognized in GAO's earlier work at DOD. Finally, the GAO draft report uses DOD data to criticize USCG workforce management. The draft report's analysis would benefit from considering the context of the sizeable DOD reductions against the perspective of contemporaneous stand-downs from the Gulf War and the Cold War, as well as the fundamental differences between the DOD services' war fighting mission and the multi-faceted USCG mission requirements.

See comment 7.

See comment 8.

See comment 9.

Staffing Manual Must Be Correctly Interpreted and Applied

See comment 6.

The staffing manual is a planning guide, not a staffing requirement. The GAO draft report highlights the need for USCG to clarify the nature of the 11-year old staffing manual, its intended use, and any limits to its application. As described in the staffing manual, it is intended to provide "nature of work" guidance for establishing and

¹ "DOD Force Mix Issues: Converting Some Support Officer Positions to Civilian Status Could Save Money," NSIAD-97-15, October 1996.

**Appendix II
Comments From the Department of
Transportation**

See comment 10.

validating office staffing requirements. The staffing guidance does not include key considerations related to organizational factors including the budget, command structure, and sea to shore rotation. The USCG staffing manual is neither decision making criteria, as interpreted by the GAO draft report, nor does it establish requirements for the workforce, such as designating work hours. For example, the statement, "USCG has not strictly applied its criteria to staffing support positions because of its preference for military personnel, and in particular, commissioned officers," exemplifies the draft report's inaccurate use and understanding of the staffing manual. There is no USCG preferential treatment afforded commissioned officers in either policy or practice. Similarly inaccurate statements are made throughout the draft report that a number of positions did not meet "the USCG's criteria for military staffing."

See comment 11.

The GAO draft report's reliance on an incomplete set of staffing considerations also resulted in its identifying positions as candidates for conversion that are appropriately military. These include positions that benefit from the first hand experience in field operations available only from military personnel as well as positions that are required to be military. For example, the GAO draft report recommends converting over 80 Commanding Officer and command cadre positions throughout USCG. These positions require military personnel to exercise military authority over USCG units. Indeed, these positions are required by law to be military in order to exercise authority under the Uniform Code of Military Justice. Further, the GAO draft report proposes to convert positions with direct deployment responsibilities in support of military operations or national emergency. Lastly, the GAO draft report's conversion recommendations include positions required to be military for the proper operation of military infrastructure in operational logistics and communications, and naval engineering.

See comment 12.

See comment 13.

USCG Workforce in Line with DOD Workforces

See comment 9.

Throughout the GAO draft report, better consideration of context is needed for comparisons of between USCG and DOD workforces. For example, the draft report refers to the significant reductions in DOD's armed forces since 1991, compared to more modest reductions at the USCG since that time. Unfortunately, the interpretation lacks perspective of the factors that influenced the numbers. In preparation for the Gulf War, DOD's forces experienced a massive buildup. During the timeframe covered in the GAO report, DOD's forces were in the process of standing down from that conflict, thereby contributing significantly to the size and scope of its reductions. Further exacerbating the difference between DOD and the USCG were the added reductions from the "peace dividend" effect, where DOD services were downsized in response to the end of the Cold War. Comparable reductions did not occur at USCG since it did not build up for Desert Storm or the Cold War. Nonetheless, within the time period covered by the GAO draft report, USCG made significant adjustments to its workforce. USCG reduced the number of commissioned officer positions from its peak by more than 6 percent, and reduced the enlisted ranks by almost 9 percent. While the military ranks and overall USCG staff were decreasing, USCG civilian staffing increased nearly 6 percent from its low point.

The GAO draft report also faults the USCG for employing proportionately more military personnel in its full-time workforce than the DOD services. Much of the difference between USCG and DOD can be attributed to fundamentally different missions. Due to the peacetime statutory law enforcement missions and maritime safety regulatory requirements of the USCG, the USCG workforce composition is fundamentally different than DOD's services. In addition, although the GAO draft report is critical of the ratio of commissioned officers to enlisted personnel in the USCG, the data shows the USCG ratio at the mid point between the Navy and the Air Force.

Civilian Personnel Serve Critical and Important Roles in the USCG

The USCG emphasizes that the anecdotal statements attributed to USCG personnel in the GAO draft report must not be construed as representing a negative perspective on the quality and capabilities of the USCG civilian workforce. To the contrary, the USCG has high regard for the services provided by civilians. The USCG is committed to capitalizing on the strengths that each unique part of the workforce bring to achieving its missions. The USCG relies heavily on civilians to staff key areas. For example, 100 percent of the USCG's accountants are civilians, and 95 percent of all contracting officers are civilians. Likewise, 79 percent of financial managers and 75 percent of civil engineers are also civilian employees. Throughout its support and logistics infrastructure, the USCG is infused with the talents and strengths brought by civilian employees. Civilians also serve in key high-ranking positions throughout the USCG including the Chief Financial Officer, the Director of the National Pollution Fund Center, the Foreign Policy Advisor to the Commandant, the Deputy Director for Personnel Management, the Assistant Commandant for Civil Rights, and the Deputy Director for Acquisition. The USCG's extensive use of civilians, including those in top management positions, demonstrates its respect for and appreciation of the services offered by this valuable component of the USCG workforce.

CONVERSIONS REQUIRE BENEFIT AND NET SAVINGS VALIDATION

The USCG has indicated its commitment to fulfill its many vital missions as effectively as possible, including further consideration of the best balance between military and civilian job classification. In terms of effectiveness, USCG's results speak for themselves. In 1999 alone, the USCG saved over 3,800 lives, interdicted 4,675 illegal immigrants, prevented 111,689 pounds of cocaine from reaching our shores, responded to 12,500 water pollution or hazardous materials releases, and performed 54,000 inspections on merchant vessels. USCG's commitment to economy is highlighted by its extensive streamlining efforts and embracing new technologies to improve operational effectiveness while reducing costs. Finally, the USCG's commitment to making full use of the civilian workforce is demonstrated by its use of high ranking civilians throughout the USCG, the increasing number of civilians while the total USCG workforce has been shrinking, and the already completed conversion of over 275 military billets to civilian positions.

See comment 14.

**Appendix II
Comments From the Department of
Transportation**

The Department does not concur with the GAO draft report's recommendation to proceed with eliminating the 804 military personnel from the positions that GAO believes to be candidates for conversion. The GAO draft report, lacking consideration of the full costs associated with making the recommended changes, using methodology that may have overstated its savings and the conversion potential, does not form an unequivocal basis for pursuing such drastic action. We recognize that there are opportunities for converting additional military billets to civilian positions at the USCG. We agree that additional conversions can be made as long as any conversion decisions are based on full consideration of costs, benefits, and the overall impact on the USCG, including the impact on the intrinsic value that this military, maritime, multi-missioned service brings to our Nation. The USCG agrees to evaluate the list of conversion candidates identified by GAO to determine the extent that these positions are bone fide candidates, which in the overall judgement of the Service should be converted to civilian.

The following are GAO's comments on the Department of Transportation's letter dated February 23, 2000.

GAO's Comments

1. We agree that there will be short-term costs associated with implementing the conversions. However, the transition costs cited by DOT are one-time costs that are outweighed by the substantial long-term savings associated with the conversions that we proposed. We did not include these costs in our comparison of military and civilian personnel because it is not possible to know the extent, if any, to which hiring bonuses and other recruitment programs would be necessary to fill the positions we identified. We modified the report to emphasize that the Coast Guard should use a phased-in approach to implementing the conversions so as to minimize implementation costs.
2. We do not agree with DOT's cost estimates of at least \$11 million for military reductions including severance pay, military leave sell-back costs, separation bonuses and final permanent change of stations for the military. As we noted in the report, the Coast Guard estimates an annual attrition rate of about 8 percent for 2000 and beyond. This accounts for more than 460 commissioned officer positions annually—more than three times the 135 annual conversions needed for a 6-year conversion schedule. If the conversions were implemented in accordance with attrition, some costs cited by DOT, such as severance and separation bonuses, would not be incurred. The other costs cited by DOT—military leave sell-back costs and final permanent change of stations—would be paid to officers departing because of attrition, regardless of whether specific positions were converted to civilian status.
3. While we acknowledge that all federal agencies, including the Coast Guard, are faced with recruiting challenges in skilled technical and professional positions, we believe that the difficulties in recruiting 804 civilians nationwide can be overcome, particularly by using a phased-in approach to implementing the conversions.
4. We believe the requirement for, and potential magnitude of, the special recruitment programs cited by DOT were too speculative to assign dollar values to them. Extending the conversion process beyond the 6-year time frame used as an example in our report would reduce the likelihood that such costs would be incurred or the magnitude of these costs if they materialized. In addition, while we agree that recruiting

and training costs could increase with the size of the civilian workforce, the increased costs would likely be offset by reductions in comparable recruiting and training costs for a lower level of military personnel.

5. We continue to believe that our comparison of military and civilian personnel costs is accurate and consistent with our historical cost analyses cited by DOT. In comparing the cost of military and civilian personnel, we relied on the Coast Guard's standard personnel costs and noted that the Coast Guard used these standard personnel costs for its own military-to-civilian cost comparison in its 1997 report to the Subcommittee on Transportation, House Appropriations Committee. While the cost analysis presented in the report is similar to our previous efforts, it is not identical. For example, both current and previous GAO reports include estimates of military retirement and tax benefits. However, our previous estimates focused on comparative compensation and did not include costs such as training and permanent changes of station. These cost elements are part of the Coast Guard's standard personnel costs. In addition, our comparison of personnel costs other than compensation and benefits showed that certain costs associated with Coast Guard officers were substantially higher than those for officers in DOD. For example, average permanent change of station costs for Coast Guard officers in the ranks we reviewed was approximately 44 percent higher than for their DOD counterparts. Thus, the consideration of additional costs, such as training and permanent change of station, combined with the higher costs of Coast Guard military personnel, account for the differences cited by DOT as inconsistencies.
6. We disagree that our report overstates the potential number of conversions by using limited criteria. We believe that our use of the Coast Guard's staffing manual as a basis for making decisions to staff positions with military or civilian personnel was correct and appropriate. As we noted in the report, the Coast Guard used these criteria in its own agencywide evaluation of the need for military staffing. More importantly, the Coast Guard explicitly cited these criteria in justifying its military workforce in its report to the Subcommittee on Transportation, House Committee on Appropriations, in June 1997. As we noted in our report, the Coast Guard's staffing standards manual clearly establishes the criteria for determining whether staffing should be military or civilian. The manual explicitly states that civilians shall staff all positions related to shore activities unless they meet the criteria. However, we understand that a change of

this magnitude needs to be carefully considered and implemented to minimize any unintended consequences and that the Coast Guard needs some flexibility in this regard. We modified our conclusions and recommendations to emphasize the significant potential for conversion while recognizing the need for flexibility. Consequently, we removed the specific number of conversions to be implemented from the recommendation.

7. We disagree that our report used potential tax and retirement savings as a primary determinant of workforce structure. As discussed above, we applied the criteria provided by the Coast Guard to reach a determination of whether specific positions required military staffing. Our conclusions and recommendations that specific positions could be converted were based solely on our application of the only criteria provided or asserted by the Coast Guard.
8. We do not agree that implementing the conversions we proposed would preclude the Coast Guard's commissioned officer force from gaining experience in many of these support areas because many of these functions are also performed in operational units.
9. We agree with DOT's concerns regarding our comparison of decreases in military staffing in DOD with Coast Guard staffing during the 1990s stemming from the buildup of DOD forces prior to the Gulf War. As a result, we removed our comparison of relative decreases in the respective military forces. We have also removed a statement in the conclusion of the report that implementing the conversions would bring the Coast Guard's ratio of commissioned officers to enlisted personnel more in line with DOD's. As DOT pointed out, the Coast Guard's ratio lies midway between the Navy's and the Air Force's.
10. We disagree that the staffing manual does not include the consideration of the command structure and sea-to-shore rotation. Both are included in the Coast Guard's criteria as discussed in our report. Furthermore, less than 14 percent of all commissioned officer positions are located aboard ships, and the Coast Guard does not have a policy limiting sea-to-shore rotation for commissioned officers. According to the Coast Guard, about 40 percent of the commissioned officers are not considered for sea duty, and Coast Guard officials agreed that converting the positions that we identified would still allow for an acceptable sea-to-shore rotation.

11. We disagree that our analysis inaccurately identified over 80 positions that are specifically required by law to be military. As we noted in the report, we did not consider positions that were specifically required by law to be military as potential candidates for conversion.

12. We disagree that our analysis inaccurately includes positions with direct deployment responsibilities. Only certain operational units, primarily cutters and aircraft, deploy under the Navy during times of war, and we excluded these units from our review. The “deployment” referred to by DOT reflects the Coast Guard’s use of commissioned officers on temporary duty assignments. As we discuss in the report, many other civilian federal employees are also subject to temporary duty. For example, we noted that the Environmental Protection Agency, the National Transportation Safety Board, and the Federal Emergency Management Agency all use civilian employees to respond quickly to disasters and other emergency situations that sometimes require them to work under arduous conditions at remote locations. We do not agree that the potential for occasional emergency situations warrants the costs of maintaining a full-time military surge capability. In fact, as we reported in 1997, the Coast Guard has about 7,800 reservists whose specific mission is to provide additional operational support and surge capacity during emergencies, such as natural disasters.¹

13. We disagree that military officers in the positions cited in the report are required for the proper operation of military infrastructure. We specifically asked Coast Guard managers whether civilians could perform the functions in the support positions we reviewed and received general agreement from these managers that the positions could be successfully filled by civilians. In several instances where managers did not agree, they generally cited knowledge of the Coast Guard as the reason for the need for military personnel. As we discussed in the report, knowledge of Coast Guard operations alone is not a military skill, as defined by the Coast Guard’s criterion, and we believe that such knowledge can be developed within the civilian workforce over a period of time.

¹See *Coast Guard: Challenges for Addressing Budget Constraints* (GAO/RCED-97-110, May 14, 1997).

-
14. We clarified the discussion in the report regarding the views of Coast Guard managers, which might be interpreted as a negative perspective on the quality and capabilities of the civilian workforce. On the contrary, Coast Guard officials said that the capabilities of Coast Guard civilians were highly regarded and that the Coast Guard relied heavily on civilians to staff key areas. They believe that the Coast Guard's use of civilians, including those in top management positions, demonstrated the agency's respect for, and appreciation of, civilians.

Major Contributors to This Report

GAO Contacts and Staff Acknowledgements

GAO Contacts

John H. Anderson, Jr. (202) 512-2834

Janet Barbee (202) 512-8856

Acknowledgements

In addition to those named above, Neil Asaba, Matthew Helm, Chris Keisling, Mark Lambert, and Mario Zavala made key contributions to this report.

Ordering Information

The first copy of each GAO report is free. Additional copies of reports are \$2 each. A check or money order should be made out to the Superintendent of Documents. VISA and MasterCard credit cards are accepted, also.

Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

Orders by visiting:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders by phone:

(202) 512-6000
fax: (202) 512-6061
TDD (202) 512-2537

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

Orders by Internet:

For information on how to access GAO reports on the Internet, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web home page at:

<http://www.gao.gov>

To Report Fraud, Waste, or Abuse in Federal Programs

Contact one:

- Web site: <http://www.gao.gov/fraudnet/fraudnet.htm>
- e-mail: fraudnet@gao.gov
- 1-800-424-5454 (automated answering system)

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

| |
|---------------------------------------------------------------------------------|
| <p>Bulk Rate Postage & Fees Paid GAO Permit No. GI00</p> |
|---------------------------------------------------------------------------------|

